

DEPARTMENT OF HIGHWAYS

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White Paper: Montana's Highway Systems and Future Federal Funding

An age old battle over federal highway funds and how they're split between urban and rural states has surfaced again. But this time more populous states see a unique opportunity to change the system to their benefit.

The impetus for the change is Congress's scheduled renewal of the five-year transportation funding bill. Now that the thirty-year effort to complete the interstate highway system has nearly come to an end, some states and interest groups are questioning whether the federal-aid highway program, as it exists today, should continue. At a minimum, they urge a revamp of the system that has long benefitted rural states like Montana, the Dakotas, Wyoming and others.

Winners and Losers

Unlike other federal programs, Montana and other less-populous states have always done comparatively well under federal-aid highway programs.

Because of our low population, our vast road system and our status as a "bridge state," whereby much of the traffic on our roads is destined for points beyond Montana, we've historically received over \$2 for every dollar paid in federal fuel tax (now 9 cents per gallon on gasoline, 15 cents on diesel). Montana's share of the \$12 billion-plus federal highway program is about \$100 million a year.

On the other hand, states like California, Texas, Florida, the Carolinas and others have received only about 90 cents on the dollar. California receives about \$1.2 billion in federal-aid highway funds each year, but traffic congestion has become a problem of staggering proportions there. One solution they see is redirecting federal highway funds by returning more money to the large population states where it's generated.

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Proposals

If the federal highway program is redirected to areas of heavy urban traffic congestion as many have suggested, Montana stands to lose \$25 to \$30 million or more each year.

The proposals have been unfolding since passage of the last transportation bill in 1987, lead by the work of the American Association of State Highway and Transportation Officials (AASHTO, pronounced **Ash**-toe), of which Montana is a member, and the Federal Highway Administration (FHWA).

At the forefront of the effort is a group of states banded together to support establishing a greatly simplified system of categorizing highways. Where projects are now classified in 34 categories with about 10 or 12 of them important to any given state, the new program would have just two categories—one for the so-called Highway System of National Significance (HSNS) and another for all the other categories, which they've proposed to call the "flexible" category.

This new flexible category is where some states hope to direct a great deal of highway funding and use it to solve essentially local problems having to do with congestion. They argue that traffic congestion is a national problem, with national consequences, and are supported by opinion surveys that show traffic congestion is at or near the top of most people's list of issues of greatest concern.

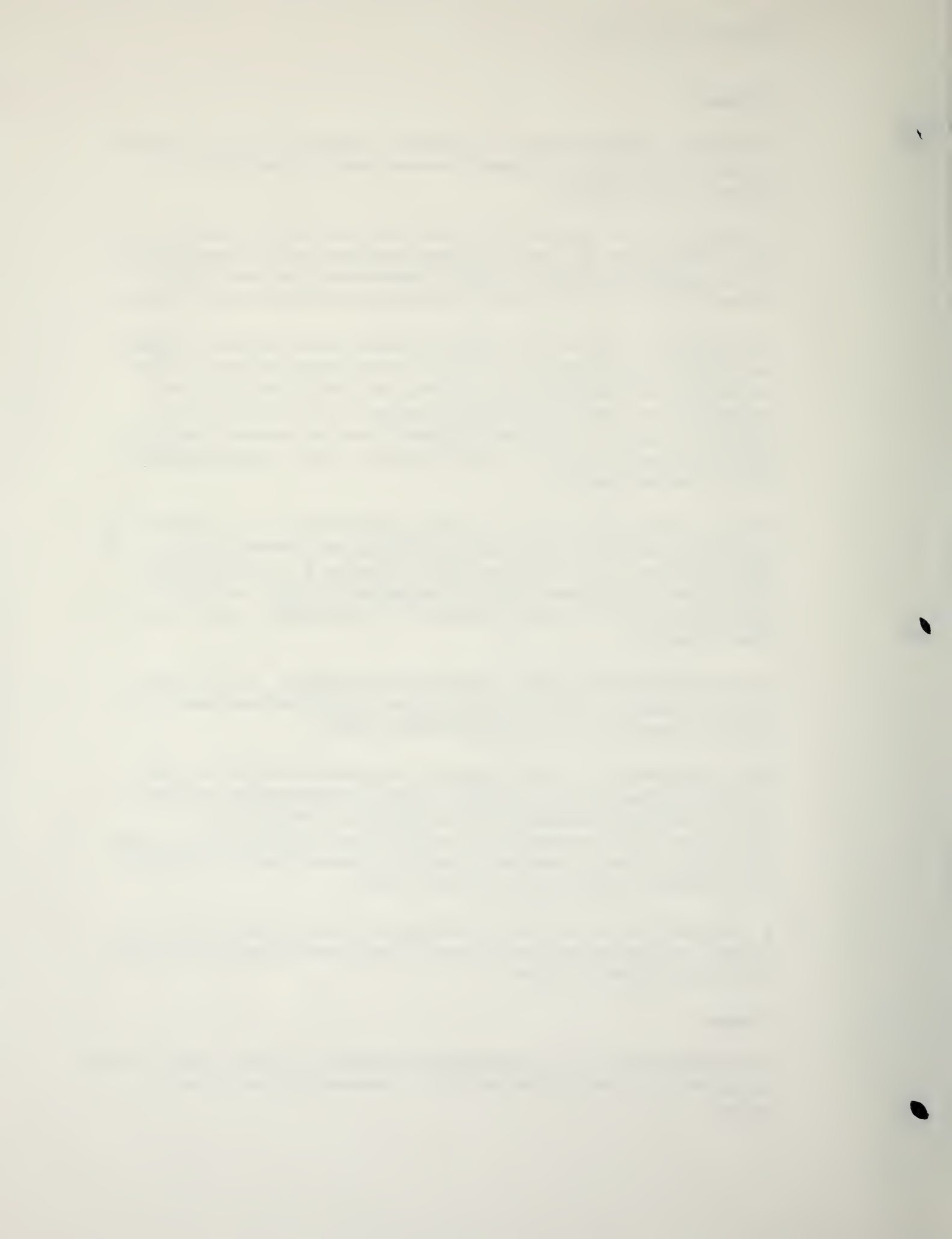
Proponents believe that under the new flexible category, the numerous "strings" attached to federal funding will be cut so states have more control over how money is spent and can get a better return.

We'd argue there is no simple solution to the problem of federal strings attached to federal funding. It's likely federal mandates will be attached to any such funding, regardless of Federal Highway Administration requirements, since environmental protection, wetlands protection, air and water quality, historic preservation and other national goals and programs enter into many or most aspects of public works.

A simplified program and fewer funding categories is appealing for many reasons. But the obvious effect of what has now been proposed is to benefit some at the expense of others.

Changes

The Highway System of National Significance being proposed would include the interstate system and *less than half* of Montana's current primary system.



Montana will be lucky to keep its proportional share of the primary system on the new HSNS. And even if it can, roughly 3000 miles of the current primary system and all of the secondary ("county roads"), urban and bridge programs will be shifted to the new "flexible" program.

Only \$20 to \$25 million in federal aid would be returned to Montana to apply to *all* these systems. What's more, where they are now funded at a level of over 75 percent federal funds, the new program would require half of the funding come from the state.

Of course, this will require either a substantial increase in the motor fuel taxes—now among the highest in the nation at 20 cents per gallon—or a severe reduction in the level of these programs. What's more, needs on the secondary and urban systems and bridges will have to compete for federal funds with needs on the 3000 miles of primary road that would move into the new flexible category.

Trouble

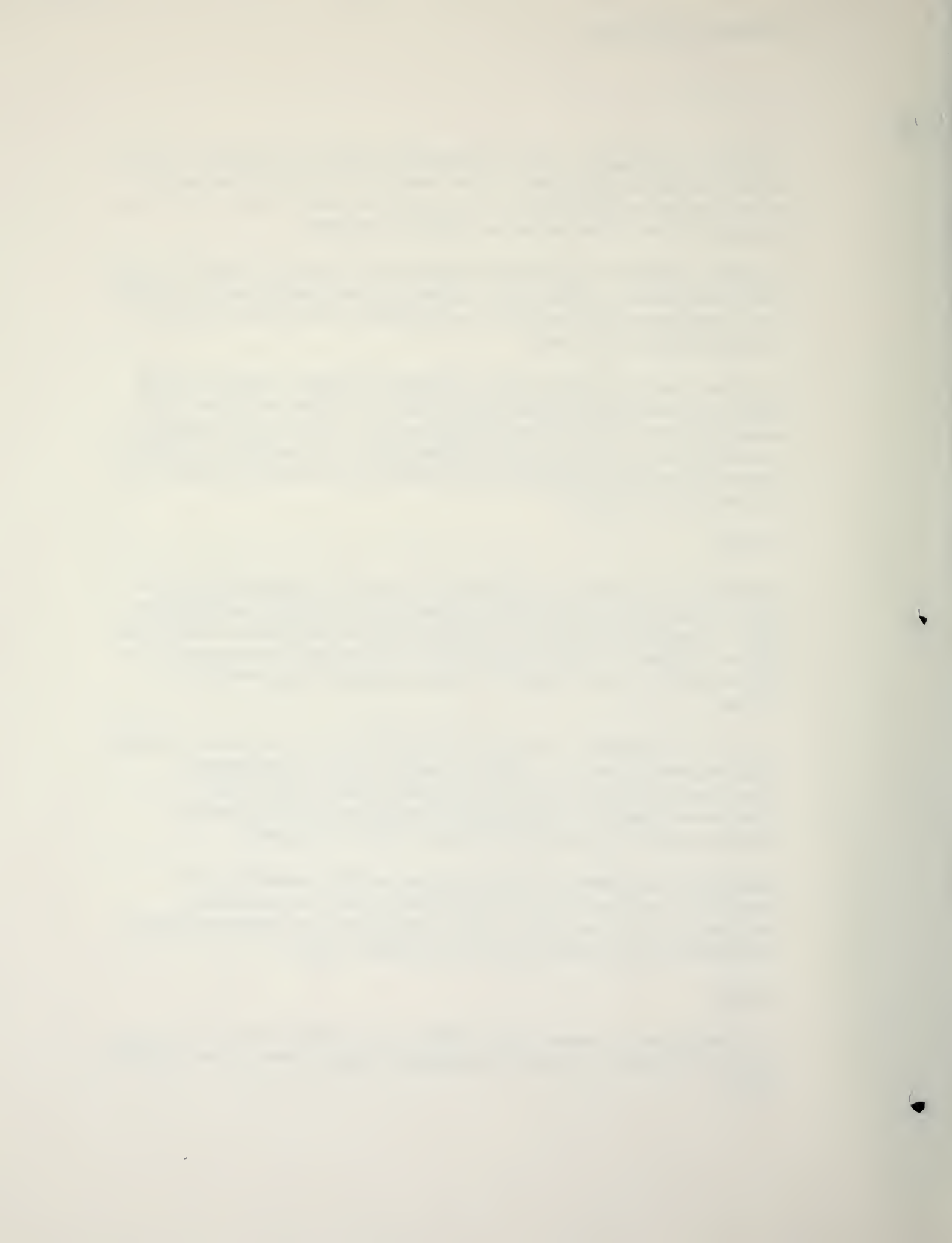
The Montana Department of Highways is not at all comfortable with the changes being proposed under the guise of a new national transportation policy. Unrealistic restrictions were placed on the department in defining a Highway System of National Significance in Montana, with essentially no time afforded to consult with those who are going to be affected by the changes.

As a result, important highways such as MT 200 east of Lewistown to Sidney, US 12 between Helena and Garrison Junction, MT 16—the highway connecting to one of Montana's two 24-hour border stations with Canada—and highways connecting the national parks and accessing important mineral reserves had to be left off the new system.

Although it hasn't been officially approved and the department has attempted to add these routes back into the system, the potential is obvious—Montana could lose millions of dollars now supporting repairs and upgrading of numerous important highway routes.

Progress

A focused effort by western states at the recent AASHTO Annual Meeting in Atlanta (October 6-10) resulted in significant improvement in the AASHTO policy.



Through a coordinated lobbying and parliamentary effort, changes were made to:

- ensure each state is "held harmless"; that is, each state would receive no less in federal funding than is received under the current program.
- ensure that those states held harmless under the above (predominantly rural western states) would share equitably in any growth of the federal highway program.
- establish a framework so rural states can continue the Federal-aid Urban and Federal-Aid Secondary programs, even under the new simplified system.

For the time being at least, the so-called Highway System of National Significance proposal is being "put on a back burner." That, combined with the other improvements, moves the policy toward recognition of the legitimate needs of Montana and other rural states.

Highway Needs

Nearly two-thirds of the nation's paved roads need repairs in order to stop further deterioration. Nearly half the nation's bridges need attention. Economists argue the U.S. needs a major investment in public systems—so-called *infrastructure*—if we are to have any hope of competing with other nations in the world economy.

While federal aid addresses less than 22 percent of the nation's total road mileage, these roads carry *81 percent of all traffic*.

Clearly, the federal government and federal transportation funds play a key role in the mobility of our nation. And now that interstate construction is complete, some argue the cost of simply maintaining the 42,000 mile network of highways could amount to more than the cost of building them in the first place.

Montana's Program

The Federal Highway Administration has extensive information documenting Montana's highway problems and needs. Briefly, they are:

- Our 5500 mile primary highway system is seriously outdated and much of it is physically dilapidated. The median age of the system is 32 years: half of the primary system that is in service today was constructed prior to 1957 and over 1000 miles of it was constructed prior to World War II.



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- Montana's 4400 mile secondary system is about 50 percent gravel road and 50 percent paved. The pavements on three-fourths of the paved secondary roads are 20 to 40 years old and have had very limited maintenance preservation work done on them.
- The median age of the streets that constitute Montana's urban system is almost 40 years.
- The primary system still has over 600 treated timber bridges, most of which were built prior to World War II. Two-thirds of Montana's off-system bridges are deficient and half of these currently have serious structural problems.
- Ninety percent of Montana's 66000 mile system of local roads and streets are gravel surfaced. The relatively small proportion of these roads which are paved are generally low standard roadways with generally inadequate pavements. Montana's city and county governments have very little potential to raise the funding necessary to improve these routes and most rely on scarce federal funds.

If there's good news, it's that Montana's 1200 mile interstate system is complete and in very good condition overall. It's one exception to an otherwise grim picture.

Another Goal

Montana supports the goals of preserving the existing highway system, providing access and a balanced approach to highway funding and enhancing economic vitality through transportation, all components of AASHTO's program.

But we respectfully suggest there is a goal not included in the AASHTO policy or in the other work done to formulate this nation's policy direction. This goal is so basic we might assume it's taken for granted, but it is of paramount concern to Montana.

It is to provide all areas of the United States with an adequate basic two-lane road. We recognize most other states have met this very rudimentary need and that they face complex problems related to growth and congestion. Montana has not.

We advocate a continued federal-aid highway program which is fair and flexible. We suggest a fair program is one which provides every state with a minimum level of funding support at least equal to the level of support now being received.

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We suggest a flexible program is one in which the state can use federal money together with state funds to meet the state's most pressing highway needs in a sensible and cost-effective way.

Underlying this—the bottom line—it takes money to build highways, pure and simple. Any proposal that affects that bottom line is bound to affect the Montana Highway Program.

Senator Max Baucus is in a unique position to influence this process, since he and a number of other western Senators with similar interests sit on the Senate committee which must approve any changes to the Federal Aid Highway Act.

The Director of Highways and his staff have been working with the Congressional delegation and will be grappling with these issues at several AASHTO meetings scheduled over the coming weeks and months.

In addition, hearings in the U.S. House of Representatives are planned to begin early next year following an announcement by Secretary of Transportation Skinner on or about January 7. It's expected Secretary Skinner will call for a major shift in responsibility to the states, in part by requiring a greater share of state money to match federal funds. This shift would very likely hurt Montana's highway program.

One way Montanans can influence the outcome of this legislation is through work with national associations such as the National Association of Counties, farm and ranch associations, retail associations, etc. These associations and every county—even the most populous urban counties—ought to be interested in the issue. It has long-term consequences for the roads we drive and rely on to market goods and services and to link us with the rest of the nation and the world.

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Questions or comments can be directed to:

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